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TO: Bonneville Power Administration

From: John Saven, CEO

RE: BP-16 Transmission Rate Case Comments

DATE: July 8, 2014

Via email: *techforum@bpa.gov*

Northwest Requirements Utilities ("NRU") appreciates this opportunity to comment on the Bonneville Power Administration's ("BPA") BP-16 Transmission Rate Case Workshop. NRU is a non-profit trade association of 54 public utilities that rely upon BPA as their primary or exclusive supplier of wholesale power and transmission services. NRU's members are all BPA Network Integration Transmission ("NT") Service customers. On behalf of its membership, NRU submits comments on the following issues that were presented at June 25th Workshop: Unreserved Use Penalty, WECC and PEAK costs, and the Network Cost Allocation Proposal submitted by Tacoma Power.

NT Unreserved Use Penalty

NRU supports BPA's proposal to not include a NT Unreserved Use Penalty in the BP-16 Initial Proposal. The purpose of an NT Unreserved Use Penalty is to deter an NT customer from submitting transmission schedules that exceed its firm transmission reservations. As part of the Transmission Rate Case Workshop, BPA reviewed 500,000 transmission schedules and found no instances where an NT customer had intentionally submitted transmission schedules in excess of their reservations. Furthermore, BPA's automated transmission scheduling systems do not allow for an NT customer to schedule in excess of its transmission reservations. These findings make the NT Unreserved Use Penalty an unnecessary rate provision.

WECC and PEAK Costs

BPA is currently assessing how to treat the costs associated with PEAK Reliability ("PEAK") in its revenue requirement. PEAK is a new entity that was bifurcated from WECC and was formed to focus on monitoring the reliable operation of the bulk electric system within WECC's footprint. Given that PEAK is still in the early stages of its formation, BPA is currently proposing to assume no PEAK costs in the revenue requirement until PEAK is able to provide a more accurate cost forecast in the BP-16 timeframe. While we appreciate BPA's desire to capture the most accurate PEAK costs in its revenue requirement, BPA currently has enough information based on data it has received from PEAK to assume $500,000 in annual costs. NRU believes that it is more appropriate to use a $500,000 proxy for PEAK rather than to simply assume that no PEAK costs will be incurred during BP-16. If BPA assumes no PEAK costs, then this assumption will only result in BPA using reserves to cover the unallocated PEAK costs.

BPA is also proposing to have WECC and PEAK directly bill BPA for the costs associated with load serving entities, and then have BPA allocate costs to load serving entities via their transmission bills. Currently, BPA has elected to have WECC directly bill the load serving entities in BPA's Balancing Authority Area. Under this current methodology, both BPA and WECC have realized a significant amount of administrative errors and omissions, and BPA has realized it is better equipped to accurately bill load serving entities rather than having WECC decipher and unwind BPA's net energy data. Therefore, NRU supports BPA's proposal to be directly billed by WECC and PEAK for load serving entity costs, and then pass those costs on to the appropriate customers via transmission bills. This proposal will result in no cost shifts among BPA's customers and will ultimately reduce the administrative burden for load serving entities, BPA and WECC.

Finally, BPA currently allocates its own WECC and PEAK costs into its 'System Engineering Overheads' cost pool. These costs apply but are not limited to station service loads on all BPA facilities and mitigating loop flow on BPA's grid. Given that these costs apply to all network transmission segments, NRU believes that BPA's WECC and PEAK costs should continue to be allocated to 'System Engineering Overheads'.

Network Cost Allocation proposal submitted by Tacoma Power

At the latest Transmission Rate Case Workshop, Tacoma Power presented a Network Cost Allocation Proposal, which stated BPA should adopt a Network allocation methodology based on either:

- Peak Usage for both NT and PTP at 2-CP
- Contract Demand equivalent for NT at 1-NCP

Based on the material presented by Tacoma, NRU finds it difficult to provide any detailed comments, as the proposal is still premature and provides too many gaps for parties to provide a thorough analysis. With that in mind, NRU did find two high level flaws in the overarching principles that Tacoma is attempting to advance.

First, Tacoma's proposal to allocate costs to PTP customers based on peak usage rather than contract demand flies in the face of the industry's open access principles and BPA's Open Access Transmission Tariff. Nearly every aspect of how BPA manages PTP service under its OATT is founded on the use of PTP Contract Demand. This includes but is not limited to, system planning, ATC and AFC methodologies, reservation priority rights, and queue management. To depart from a network cost allocation methodology that does not use PTP Contract Demand would simply be out of line with how BPA provides PTP service.

Second, Tacoma proposes that BPA allocate network costs to the NT customer class using a 2-CP or 1-NCP methodology, and they base their argument primarily on the fact that BPA's PTP: NT load ratio is higher than the average IOU in the Northwest. Lacking any further arguments, NRU is perplexed by the idea that this one circumstance could trump the extensive testimony that BPA provided in the BP-14 rate case, which included the acknowledgement of a high PTP:NT load ratio, and still led to the implementation of a 12-NCP for NT cost allocation. Given this recent record, and lacking a more robust analysis that Tacoma or other parties have

failed to produce, NRU concludes that there is no value to BPA and its transmission customers to further consider the use of 2-CP or 1-NCP.

NRU thanks the BPA staff for its time and consideration spent on these Transmission Rates issues and for this opportunity to comment on the various proposals.